

October 29, 1998



GTE Service Corporation

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EX PARTE OR LATE FILED

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

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OCT 29 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**Ex Parte: Deployment of Wireline Services Offering Advanced
Telecommunications Capability - CC Docket No. 98-147/**

Dear Ms. Salas,

On Wednesday October 28, 1998, Paul Fuglie, Bob Sclafani and the undersigned, representing GTE, met with Linda Kinney, Liz Nightingale, Brent Olson, and Stacy Pies of the Common Carrier Bureau; Jeffery Lanning of the Office of General Counsel; and Douglas Webbink of the International Bureau to discuss the provision of advanced services through separate affiliates.

In the meeting, we discussed GTE's National Advanced Services Plan, as outlined in its comments in the proceeding indicated above; current Commission rules and regulations which govern independent LEC affiliates; GTE's existing affiliate structure; and the economic, customer and competitive impacts of altering the manner in which GTE's affiliates are operating today. The attached material was used in the discussions.

If you have any questions regarding this filing, please call me at (202) 463-5293.

Sincerely,

W. Scott Randolph
Director - Regulatory Matters

Attachment

cc: Linda Kinney
Liz Nightingale
Brent Olson
Stacy Pies
Jeffery Lanning
Douglas Webbink

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GTE's National Advanced Services Plan

1. Separate Affiliate Elements of the NASP

- An ILEC's advanced service affiliate should maintain separate books of account.
- The affiliate should not jointly own transmission or switching facilities with the ILEC, but should be permitted to transfer personnel and other resources or assets that were deployed before the final date of the Commission's order resulting from the *Advanced Services NPRM*.
- The affiliate should acquire any tariffed services from the ILEC at the tariffed rates and should be permitted to obtain unbundled network elements and services for resale pursuant to an approved interconnection agreement.
- The affiliate shall be a separate legal entity from the ILEC.
- The affiliate may be staffed by personnel hired from the ILEC and affiliate personnel should be housed in segregated space.
- The affiliate should not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the ILEC. Holding companies typically finance both ILEC and other operations through the common corporate parent. The rule does not disturb this longstanding practice.
- Contracts between the ILEC and its affiliate should be disclosed to regulators upon request.

GTE's National Advanced Services Plan

2. Collocation Elements of the NASP

- Upon request, collocating parties should have the flexibility to place their equipment in "shared" collocation space dedicated to CLEC use, with or without employing cages.
- CLECs should be permitted to use a third-party inspection in conjunction with state commission review to confirm that space in a central office is exhausted. Upon confirmation by the state commission, the third party's finding would be conclusive with respect to that central office unless and until space becomes available. Its fee would be paid by the CLEC if the ILEC's finding of exhaustion is upheld, and by the ILEC if the finding of exhaustion is overturned.
- CLECs should have the flexibility to lease collocation space in increments of 25 square feet.
- CLECs should be able to sub-lease space within collocation cages, as long as the original requesting party remains liable for payment to the ILEC and for security within its collocation cage.
- CLECs using common space (whether or not caged) should be permitted to use their own technicians to cross-connect their equipment with one another, provided that they do not use GTE infrastructure and follow all applicable building codes and GTE cabling standards.
- ILECs should remove obsolete equipment (if any) at the request of any collocating CLEC, so long as the CLEC agrees to pay the costs of such removal.
- On a case-by-case basis, ILECs should permit CLECs to lease unused ILEC property for the purpose of constructing their own adjacent facility where central office collocation space is exhausted.

3. Loop-Related Elements of the NASP

- ILECs should permit sub-loop unbundling upon bona fide request where technically feasible.
- ILECs may voluntarily provide conditioned loops even where they have not deployed advanced services, if they recover their actual costs of performing the conditioning.

GTE
Structural and Accounting Safeguards
CC Docket No. 98-147
October 28, 1998

Current FCC Rules and Regulations Provide Sufficient Protection Against Anti-Competitive Behavior.

- **Structural Separation Rules for Incumbent Independent LECs**
- **Cost Allocation**
- **Affiliate Transaction Rules**
- **Interconnection Rules**
- **Tariff Rules**

GTE's Existing Structure

- **GTE's ILEC/CLEC Affiliate Relationship (Rules of Engagement)**
- **GTE Network Services (GTE-NS) and GTE Communications Corporation (GTE-CC) are each separate business units under GTE Corporation.**
- **GTE-NS manages all GTE's extensive local telephone networks and carries the ILEC status in-franchise.**
- **GTE-CC includes GTE's CLEC and GTE's Interexchange Carrier (for both in-franchise and out-of-franchise operations). GTE -CC is a wholly owned subsidiary of GTE's parent company - GTE Corporation.**
- **GTE-CC meets all FCC structural separation requirements for Independent Incumbent Local Exchange Providers that provide interexchange services - CC Docket 96-149.**

GTE's "Rules of Engagement" are listed below:

- 1) GTE-NS and GTE-CC must be operated as two separate companies, and all dealings between the two companies will be at arm's length.**
- 2) GTE-NS cannot discriminate in favor of GTE-CC or any other competitive local exchange carrier.**
- 3) CPNI cannot be shared between entities without written customer consent.**
- 4) GTE-NS and GTE-CC cannot joint market local telecommunications services.**
- 5) Both GTE-NS and GTE-CC must maintain separate core competencies for the provision of telecommunications services, marketing and sales.**

Conclusion: There is No Need to Impose Additional Separation Requirements for Advanced Services Affiliates

GTE

Structural and Accounting Safeguards

**CC Docket No. 98-147
October 28, 1998**

Overview of Presentation

- I. Current FCC Rules and Regulations Provide Sufficient Protection Against Anti-Competitive Behavior**
 - A. Structural Separation Rules for Incumbent Independent LECs**
 - B. Cost Allocation and Affiliate Transaction Rules**
 - C. Interconnection and Tariff Rules**
- II. GTE's Existing Structure**
 - A. GTE's ILEC/CLEC Affiliate Relationship
(Rules of Engagement)**
- III. Conclusion: There is No Need to Impose Additional Separation Requirements for Advanced Services Affiliates**

**I. Current FCC Rules and Regulations Provide
Sufficient Protection against Anti-Competitive Behavior by an ILEC**

- **Current FCC rules including structural separation requirements, cost allocation rules, affiliate transaction rules, interconnection rules, and tariff rules, provide sufficient safeguards to protect non-affiliated competitors from anti-competitive behavior of the ILEC.**

A. Current FCC Structural Separation Requirements for Independent LECs Providing In-Region Interstate InterLATA services (Part 64.1903):

The Commission adopted these rules for Independent LECs in CC Docket No. 96-149 on 4/17/97.

- (1) Affiliate must maintain separate books of account from the ILEC.**
- (2) Affiliate cannot jointly own transmission or switching facilities with its ILEC affiliate**
- (3) Affiliate must acquire services from its ILEC based on tariffed rates, terms, and conditions. Nothing prohibits the affiliate from acquiring UNEs or interconnection services through interconnection agreements that comply with section 252 of the 1996 Act.**
- (4) The affiliate must be a separate legal entity from its affiliated ILEC. The affiliate may be staffed by personnel of its affiliated exchange companies, housed in existing offices of its affiliated exchange companies, and use its affiliated exchange companies' marketing and other services.**

I. (continued)

B. Costs Allocation and Affiliate Transaction Rules:

Costs Allocation Rules Applicable to ILECs (Part 64.901-904, Adopted in CC Docket 86-111 on 12/23/86) :

- 1. Establishes cost allocation rules, cost allocation manual, and annual independent "positive opinion" audit of compliance of the manual.**

Affiliate Transaction Rules Applicable to ILECs (Part 32.27, Adopted in CC Docket 96-150 on 12/24/96):

- 2. Establishes rules for reporting of asset transfers, and tariff and non-tariff services between affiliates.**

C. Interconnection (Part 51) and Tariff Rules (Part 61):

- 1. Requires that the ILEC provide interconnection to any requesting telecommunications carrier and that the interconnection be at least equal in quality to that provided by the incumbent LEC to itself or its affiliates, and must be provided on rates, terms, and conditions that are just, reasonable, and nondiscriminatory.**
- 2. Federal and state tariffs require that an ILEC offer services in the tariff to non-affiliates on the same rates, terms, and conditions as offered to its affiliated entities.**

II. GTE's Existing Structure
GTE's ILEC/CLEC Affiliate Relationship
GTE's Rules of Engagement

- **GTE Network Services (GTE-NS) and GTE Communications Corporation (GTE-CC) are each separate business units under GTE Corporation.**
- **GTE-NS manages all GTE's extensive local telephone networks and carries the ILEC status in-franchise.**
- **GTE-CC includes GTE's CLEC and GTE's Interexchange Carrier (for both in-franchise and out-of-franchise operations). GTE –CC is a wholly-owned subsidiary of GTE's parent company – GTE Corporation.**
- **GTE-CC operates as a stand-alone unit, separate from GTE-NS.**
- **GTE-CC meets all FCC structural separation requirements for Independent Incumbent Local Exchange Providers that provide interexchange services – CC Docket 96-149.**

**II.
GTE's Rules of Engagement
(continued)**

To ensure full compliance with FCC rules, GTE has established "Rules of Engagement" to guide how GTE's ILEC (GTE-NS) and CLEC (GTE-CC) must operate and interact with each other. These rules have been established specifically for GTE and are not necessarily endorsed as an industry standard. See GTE's comments filed in this docket proposing its National Advanced Services Plan for the industry.

GTE's "Rules of Engagement" are listed below:

- 1) GTE-NS and GTE-CC must be operated as two separate companies, and all dealings between the two companies will be at arm's length.**
 - a) Each entity will make independent business decisions that are based on maximizing the market performance of that specific business unit.**
 - b) Unless covered by a separate legal agreement, GTE-CC conducts customer-affecting business with GTE-NS only via account representatives of GTE-NS.**
 - c) GTE-CC cannot use GTE-NS resources that are not also available to other parties.**

II.
GTE's Rules of Engagement
(continued)

- 2) GTE-NS cannot discriminate in favor of GTE-CC or any other competitive local exchange carrier.**
 - a) GTE-NS must interact with GTE-CC in the same way it does with any other unaffiliated CLEC or interexchange carrier.**
 - b) Network services are only obtained from GTE-NS pursuant to a tariff or executed interconnection agreement.**
 - c) GTE-NS wholesale business must be neutral in its dealing with all competitors.**

- 3) CPNI cannot be shared between entities without written customer consent.**
 - a) GTE-NS employees that are hired by GTE-CC cannot take with them any GTE-NS information or material of any kind.**
 - b) GTE-CC must earn its customers through independent marketing and cannot take advantage of GTE-NS' market position.**

II.
GTE's Rules of Engagement
(continued)

- 4) GTE's CLEC and GTE-NS cannot joint market.**
 - a) Marketing, sales and customer contact must be completely separate for GTE-CC's local exchange operations. GTE-NS will deal with GTE-CC on the same terms and conditions as with any other competitive local exchange carrier.**
 - b) Marketing/business plans may not be shared between GTE-NS and GTE-CC. Market research undertaken by GTE-NS cannot be shared between entities.**
 - c) GTE-CC will use the GTE brand name. However, it will at all times prominently display its specific entity name -- GTE Communications Corporation.**
- 5) Both GTE-NS and GTE-CC must maintain separate core competencies for the provision of telecommunications services, marketing and sales.**
 - a) GTE-CC cannot receive the benefit of GTE-NS' market position in any respect.**
 - b) GTE-CC will hire employees using a hiring process that will examine all qualified candidates.**

III. Conclusion

There is No Need to Impose Additional Separation Requirements for Advanced Services Affiliates of ILECs

- **ILEC affiliates that offer advanced telecommunications services and comply with the non-accounting safeguard order's separate affiliate rules should not be subject to section 251(c).**
 - **In the non-accounting safeguard rulemaking, the Commission determined conclusively that these safeguards, along with their cost allocation and affiliated transaction rules, in combination with audits, tariff review, and the complaint process -- were adequate protection to ensure against independent ILEC anticompetitive behavior when providing in-region interexchange services through a separate affiliate.**
 - **There is no evidence or factual demonstration of harm on the Commission's record for increasing these safeguards/restrictions for advanced services affiliates.**
- **The Commission's proposed structural separation rules (from paragraph 96) are inconsistent with the Act and Commission's precedent, too costly, and would harm competition.**
 - **The proposed NPRM separation requirements directly contravene the policies underlying the 1996 Act which called for a pro-competitive, de-regulatory national policy framework to accelerate the deployment of advanced telecommunications technologies.**
 - **The Commission's separation proposals would increase the regulatory burden and expense on ILECs seeking to bring new advanced telecommunications technologies to marketplace while its major competitors, like the cable companies, CLEC affiliates of AT&T and MCI, and others who are not saddled with these expenses, would be free to compete uninhibited by these constraints.**
 - **Additionally, these undue burdens would effectively undermine the ability of a corporate holding company to establish affiliates capable of the "one-stop shopping" for bundled services that their customers increasingly demand.**
 - **ILEC affiliates should not be penalized by having to comply with the proposed new, additional structural requirements to be able to offer advanced services.**

III. Conclusion (continued)

- **Other open items (from paragraphs 101 and 113) raised by the Commission such as restricting transfers of employees and brand names; prohibiting the use of funds from a corporate parent; and prohibiting resale from an ILEC to its advanced services affiliate – would severely affect the ILEC affiliate’s ability to compete and would create unnecessary barriers to entry.**
- **The proposed separation requirements go well beyond what is necessary to ensure that an ILEC is not a “successor or assign”.**
 - **Congress authorized the Commission to subject an ILEC affiliate to the requirements of section 251(c) of the 1996 Act only if the affiliate qualifies as a “successor or assign” of the ILEC.**
 - **The NPRM erroneously proposes to apply these requirements to all separate affiliates offering advanced services that fail to comply with their numerous newly created and burdensome separation conditions.**
 - **The Commission, however, does not offer any reason why the proposed conditions are necessary to exempt a separate affiliate (owned by a common parent) offering advanced services from the successor or assign status.**
 - **GTE believes it is beyond the Commission’s statutory authority to impose the proposed restrictions as a condition of exemption from section 251(c) requirements.**

III. Conclusion (continued)

- **Adoption of the proposed additional affiliate requirements would retard deployment of advanced services and therefore is not in the public interest.**
- **This is a “no-win situation” for ILECs unless the Commission reconsiders its proposals.**
 - **Requiring ILEC affiliates to conform to the newly proposed burdensome requirements to be exempt from section 251(c) would be too costly and act as a disincentive toward investment in advanced technologies.**
 - **Or else --requiring ILEC affiliates to provide discounted resale and unbundling would place the affiliate in an unfair competitive disadvantage compared to other competitors operating in the marketplace who are not subject to these same requirements.**
- **Most arguments in support of these proposals come from cable companies, IXC's, and other non-ILEC affiliated companies that desire to gain a competitive advantage in the marketplace. None of their arguments adequately show how these proposals would benefit public interest. On the other hand, based on the comments of consumer groups with the public interest in mind, they believe that the NPRM is premature and could be counterproductive.**

- **For the aforementioned reasons, GTE urges the Commission to reject the proposed separation requirements, and instead apply, at most, the same separation rules and other safeguards adopted in the context of advanced telecommunications services that it has already adopted for independent LEC provision of interstate in-region interLATA services.**

How to Work Within the New Telecommunications Environment

Agenda for
GTE employees
on the new rules
governing our
organization and
how to position
GTE to win in
the marketplace
by putting
customers first



Dear Teammates:

The telecommunications industry has undergone remarkable and historic changes — in both technology and regulatory arenas. GTE has anticipated and responded to these changes in thousands of ways.

One of our key challenges was to align our company's organizational structure with the external realities we face. As a result, we created several new business units that allow us maximum flexibility to meet the challenges ahead.

Now that we have positioned our organization to win, we all need to understand how to work within this new structure to achieve success. To meet that goal, enclosed is a booklet that outlines and formalizes the new "ground rules" governing our company, and how we can continue to help customers understand the many changes in our industry.

Because understanding this material is critical to our success, I ask that each of you take the time to review this booklet, and sign and return the enclosed certificate of completion.

In addition to the new legal and regulatory guidelines we face, there is another rule to keep at the forefront of all this change. And that's the golden rule: putting customer needs first. Do everything you can to ensure that the customer is the ultimate winner in the new telecommunications marketplace, and in the process, you'll help GTE win too.

Thank you for taking the time to learn more about GTE's business direction and the rules in which we must operate.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tom", written over a horizontal line.

Thomas W. White
Senior Executive Vice President
Market Operations

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This booklet will help employees understand the legal and ethical guidelines on how to work in a new competitive telecommunications environment.

Employees who have questions should contact their local management, the Regulatory department or call the GTE employee communications hot-line at 1-800-GTEXTRA (1-800-483-9872), or send an e-mail to T.News.

The telecommunications industry is undergoing tremendous change. Rapid advances in technology, a new and evolving regulatory environment and a growing list of competitors make this industry one of the fastest growing and most exciting in the world.

To capture the growth associated with these historic changes, GTE has taken a number of steps. We entered the market for long distance, Internet and video services, and now have one of the broadest product lines in the industry. We began offering those products on a single bill that can even include wireless service in many markets. And we also made the necessary organizational changes to ensure GTE maintains maximum flexibility going forward.

Earlier this year, GTE remodeled Telephone Operations (Telops) and built three new business units. These are:

- GTE Network Services
- GTE Communications Corporation
- Business Development and Integration.

Here is a brief overview of these three units.

GTE Network Services:

This unit is sometimes referred to as GTE's Incumbent Local Exchange Carrier, or ILEC.

Like the former Telops, Network Services manages GTE's extensive local telephone network, and retains marketing, sales and service responsibilities for carrier, business and residential customers. This unit will continue to serve the more than 13 million residential and business customers of GTE within its wireline services territories.

Because of the dominant ILEC carrier status of GTE Network Services in-franchise, this group has a broad obligation to open up its network for competitive companies entering into the local market. As a consequence of these carriers entering into GTE local markets, one rapidly growing component of Network Services is the local wholesale business. This occurs when a Competitive Local Exchange Carrier (also known as a CLEC, including GTE Communications Corporation) contracts with GTE to provide the facilities or services necessary to offer local phone service. This wholesale business is fast becoming a critical part of GTE Network Services' overall revenue potential.

Employees of GTE Network Services may handle the installation, maintenance and repair for many of the retail customers of these new CLECs. They may perform work at a customer's premise even if the customer has signed up with another carrier as their retail supplier. In fact, an employee may not be aware whether the customer is a retail or wholesale customer of GTE. It's critical to give all customers excellent service to preserve and enhance the GTE brand image at every opportunity.

GTE Communications Corporation:

GTE's Competitive Local Exchange Carrier or CLEC will enable GTE to do two things: compete on a level playing field with the many companies that are entering the local business as CLECs without regards to franchise boundaries, and to become a national provider of a broad range of telecom and data services. GTE Communications is comprised of other entities including calling card services, video operations and long distance operations. The discussion that appears in this section applies primarily to its Competitive Local Exchange Carrier unit.

GTE Communications will target residential and business customers who are "communications intensive" — without regard to current franchise boundaries.

It will operate as a stand-alone unit, with its own consumer and business sales channels and customer service. They will work through the local exchange companies, including GTE Network Services, to ensure that repair and installation requests are handled promptly.

Because this unit is classified as a "non-dominant local exchange carrier" under regulatory rules, it can respond to market opportunities with greater flexibility and speed. For example, it can package services based on customer demand and adjust prices more quickly to meet changes in the marketplace.

It also can purchase products and services from other carriers at wholesale prices, and can develop and market unique services without being required to offer those services to competitors at government-mandated discounted prices.

GTE Business Development and Integration:

The purpose of this unit is to help GTE get the most marketplace impact from each GTE business unit.

This will be accomplished by viewing the primary resource needs of GTE's business across wireline, wireless and data — from systems development to capital allocation — and finding the optimum solutions to address those needs. This group is responsible for many staff functions so GTE doesn't have to duplicate efforts, and we can save expense.

This unit's role also includes reviewing each GTE strategic business unit's overall market strategies and responses to the competitive offerings it is facing to ensure the market potential of that strategic business unit is maximized and that it is consistent with its business plan — with a goal of ensuring that both the customer and GTE are best served by the resulting response.

In addition to market response, market strategy for each of GTE's national businesses will be reviewed by this unit. This unit also will handle budgeting, financial reporting, infrastructure management, information technology, regulatory, diversity marketing and management and industry affairs for all of the business units in GTE's national operations.

[REDACTED]

THE FIVE GUIDING PRINCIPLES

There are several legal and regulatory rules in place for how GTE's Incumbent Local Exchange Carrier and Competitive Local Exchange Carrier should operate and interact with each other.

For GTE, there are five guiding principles that apply to the relationship between GTE Network Services and GTE Communications Corporation.

Other affiliates under the GTE family of companies should be aware of these rules to ensure they do not inadvertently violate them through their dealings with GTE Communications and GTE Network Services. This is especially true for groups that support multiple business units, such as the Business Development and Integration organization and GTE Service Corp.

The following pages outline the principles guiding GTE's new organization. It's critical that all employees of GTE understand and adhere to these rules.

THE FIVE GUIDING PRINCIPLES

Principle #1

GTE Network Services and GTE Communications Corporation must be operated as two separate companies, and all dealings between the two companies will be at arm's length.

- Each entity will make independent business decisions that are based on maximizing the market performance of that specific business unit.
- Unless covered by a separate legal agreement, GTE Communications Corporation conducts customer-affecting business with GTE Network Services only via account representatives in Network Services Wholesale Markets organization — like any other interexchange carrier or competitive local exchange carrier.
- GTE Communications Corporation cannot use GTE Network Services resources (e.g. back office support services) that are not also available to other parties.

Examples for how this applies day-to-day:

- Facilities for GTE Network Services and GTE Communications Corporation must be physically separated. For instance, although the two companies can be in the same building they need to be on separate floors with controlled-access entrances and exits, and all appropriate signage.
- GTE Network Services and GTE Communications employees can jointly attend meetings and training of a general nature, such as a diversity training class. However, at no time can employees exchange customer-specific information. In addition, they cannot jointly attend meetings which include discussions on the following topics: network planning, marketing plans, technology development and proprietary system development.
- Assets will not be transferred between GTE Network Services and GTE Communications Corporation. For example, employees who leave their jobs in Network Services to accept offers in GTE Communications cannot take their computers with them.

THE FIVE GUIDING PRINCIPLES

Principle #2

GTE Network Services cannot discriminate in favor of GTE Communications Corporation or any other competitive local exchange carrier.

- GTE Network Services must interact with GTE Communications Corporation in the same way it does with any other unaffiliated competitive local exchange carrier (CLEC) or interexchange carrier.
- Network services are only obtained from GTE Network Services pursuant to a tariff or executed interconnection agreement.
- GTE Network Services wholesale business must be neutral in its dealing with all competitors.

Examples for how this applies day-to-day:

- Rule of thumb: If GTE Network Services performs a telecommunications service for GTE Communications, it must be prepared to do so at a comparable price, for any other competitive local exchange carrier if requested.
- GTE Network Services must announce network modifications to all carriers in a fair and equal manner (as outlined by the FCC) and cannot give GTE Communications Corporation advance notice of these changes.
- GTE Network Services cannot show favoritism to GTE Communications Corporation in planning future services.
(See Principle #1 on what topics cannot be discussed across units.)

THE FIVE GUIDING PRINCIPLES

Principle #3

Customer proprietary network information (CPNI) cannot be shared between entities without written customer consent.

- GTE Network Services employees that are hired by GTE Communications Corporation cannot take with them any GTE Network Services information or material of any kind.
- GTE Communications Corporation must earn its customers through independent marketing and cannot take advantage of GTE Network Services' market position.

Examples for how this applies day-to-day:

- Customer proprietary information that cannot be shared without customer consent includes what products and services a customer buys, as well as a customer's calling pattern.
- For customers with a non-published phone number, their names and phone numbers also are considered proprietary.
- Information that can be shared between business units includes the minutes of use or other traffic pattern reports at an aggregate level from a Central Office, but that information then must also be made available to all carriers. Although from a regulatory standpoint this information can be shared, the decision to do so will be made on a case by case basis with review by Business Policy and Regulatory.

THE FIVE GUIDING PRINCIPLES

Principle #4

The competitive local exchange carrier division of GTE Communications Corporation cannot joint market with GTE Network Services.

- Marketing, sales and customer contact must be completely separate for GTE Communications local exchange operations. GTE Network Services will deal with GTE Communications Corporation on the same terms and conditions as with any other competitive local exchange carrier. Note however the long distance, video and card services division can joint market their services with Network Services in most states, pursuant to contractual agreements.
- Marketing/business plans may not be shared between GTE Network Services and GTE Communications Corporation. Market research undertaken by GTE Network Services cannot be shared between entities.
- GTE Communications Corporation will be using the GTE brand name. However, it will at all times prominently display its specific entity name: GTE Communications Corporation.

Examples for how this applies day-to-day:

- "Prominently display" means that GTE Communications must use the accepted corporate identity standards on its marketing material. It not only will help preserve the integrity of the brand; it will also help customers better understand the different GTE businesses.
- The appropriate brand identity for the two units are:

GTE

NETWORK SERVICES

GTECOMMUNICATIONS
CORPORATION

THE FIVE GUIDING PRINCIPLES

Principle #5

Both GTE Network Services and GTE Communications Corporation must maintain separate core competencies for the provision of telecommunications services, marketing and sales.

- GTE Communications Corporation cannot receive the benefit of GTE Network Services' market position in any respect.
- GTE Communications Corporation will hire employees using a hiring process that will examine all qualified candidates.

Examples for how this applies day-to-day:

- Reports or studies performed while employed by GTE Network Services cannot be transferred to GTE Communications, nor can employees joining the new unit take with them any material considered intellectual property of GTE Network Services.
- GTE Network Services employees may compete for positions in GTE Communications, given supervisory release, but they will be considered along with qualified external candidates.
- Employees who leave GTE Network Services to GTE Communications are still part of the GTE team, and should be treated with respect, professionalism and common courtesy.

While following the regulatory rules will keep GTE out of trouble, there is only one rule that can truly help us succeed, and that's the "golden rule."

This rule serves as an operating philosophy underlying all the changes occurring in the company, and in the marketplace. It's also the easiest to remember, because it begins and ends with the customer.

Our strategy is simple and straightforward, and can be stated as such:

We must maintain an unwavering focus on what's right for the customer, rather than what's wrong with a competitor. This means that:

- As a company, we will not engage in negative advertising, promotion, sales tactics or public discussions targeted at tearing down competitors or their products. Rather, we will promote the value of GTE products, employees and service performance.
- We will not engage in any behavior which impedes or interferes with a competitor's marketing, sales or service provisioning. Instead, we will rely on the quality of our own marketing, sales and service provisioning to convince customers that we are the preferred communications choice.
- We will hold ourselves to the highest level of ethical conduct and will not engage in destructive, deceitful or underhanded conduct.

This isn't just good business practice, it's also what our customers have told us they want. Research confirms that customers are weary of seeing competitors snipe at each other in ads and through direct contacts. They value a company that understands and is sensitive to their needs, and has the right products and competitive prices to back that up.

GTE is strongly positioned to win on this platform, and needs all its employees to exhibit this philosophy in all interactions with internal and external audiences, day-in and day-out.

Supporting this operating philosophy and all our marketing efforts are three simple letters: G T E. In order to win, we must preserve and enhance our brand name, and avoid any behavior that detracts from our overall image. This even applies internally. All employees of GTE share the brand, and, at the end of the day, after making your best competitive response, what matters is not which unit a customer signs up with, as long as he signs up with GTE.

On the following pages are some guidelines for how to discuss these changes in the industry with customers and in everyday interactions.

GENERAL TALKING POINTS FOR CUSTOMER EDUCATION

With all the changes in the telecommunications environment, consumers may become confused. GTE's goal is to provide the education and day-to-day assistance necessary to minimize or eliminate customer confusion.

It's quite possible that once GTE Communications begins marketing to customers in franchise, GTE Network Services employees may be asked by customers, "What should I do?" This question could come from a neighbor, a relative or a community contact, and may include questions about other providers, such as AT&T or even a regional Bell operating company.

This is a moment of truth. Below are thoughts to keep in mind when this occurs, and apply regardless of which unit of GTE you work for.

- **Remain customer focused.** Our primary goal should be to eliminate customer confusion. If your actions take that into account, you can be assured you are doing the right thing.

Note that detailed rules have been developed for employees working in in-bound contact centers taking orders or fulfilling other customer service requests. Those rules must be followed during working hours.

- **Always take the high-road.** Never disparage any other company or carrier.
- **Enhance and preserve the integrity of the GTE brand.** Don't paint one unit of GTE as better than the other. Highlight why they are different, bridging back to customer needs.
- GTE Network Services employees on the job cannot advocate GTE Communications over another CLIC.
- GTE Network Services employees cannot promote or attempt to sell customers GTE Communications goods and services.
- Use this as an opportunity for customer education.
(See talking points on next page.)

GENERAL TALKING POINTS FOR CUSTOMER EDUCATION

Customer Education Talking Points:

GTE employees should educate consumers about the changes in the industry. They should explain that GTE Network Services intends to be a vigorous competitor in both the retail and wholesale markets.

It should be explained that the telecommunications industry is opening up to many new players as a result of the Telecommunications Act of 1996. Even GTE has created a new unit to serve the marketplace, called GTE Communications Corporation. It can further be explained that this new company is a separate business unit that offers a wide range of telecommunications services geared especially toward high users of multiple services, and is able to operate outside the traditional service areas of GTE Network Services.

In general, help consumers understand the many choices now available in the marketplace, and that they should consider the following factors in making their choices:

- Does the offer match the consumer's calling needs?
- Have all up front or minimum charges been identified?
- Will quality service be provided?
- Is it clear who to call for questions or for repairs?
- How will billing be handled?
- Remind customers to comparison shop and avoid accepting the numerous competitive offers of reduced rates on face value. In many instances, competitors compare their "discounted" rates to GTE Network Services highest tariffed rates, and customers may be unaware of discounts available through GTE Network Services local calling plans.

Keep the conversation focused on a customer's needs and avoid at all times jabs at other carriers.

Help GTE become known as a company that puts the customer first by helping to minimize customer frustration and confusion.

CERTIFICATE OF REVIEW

To be completed by all employees, removed from booklet and returned via intra-company mail to:

**Regulatory Compliance
HQE01H25
P.O. Box 152092
Irving, Texas 75015-2092**

The undersigned hereby

- (1) acknowledges receipt of a copy of the "How to Work Within the New Telecommunications Environment" booklet setting forth company policy regarding compliance with the Rules of Engagement.
- (2) represents that the undersigned has read such provisions, and
- (3) understands that non-compliance with such policy will result in appropriate disciplinary measures determined by CTE and which may include dismissal.

V. CERTIFICATE OF REVIEW

DATE

SIGNATURE

SOCIAL SECURITY NUMBER

PRINTED OR TYPED NAME

PRINTED OR TYPED TITLE

PRINTED OR TYPED COMPANY NAME

MAIL CODE

PRINTED OR OR TYPED WORK PHONE NUMBER

PRINTED OR TYPED COMPANY ADDRESS